

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 IO-10 ISO-00 EUR-12 AGR-05 CEA-01

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L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00

OMB-01 XMB-02 OPIC-03 /113 W
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R 102345Z SEP 75

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 8117

INFO USDEL MTN GENEVA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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EO 11652: NA

TAGS: ETRD

SUBJ: MULTI-LATERAL TRADE NEGOTIATIONS-COUNTRY PROFILE
ON GUATEMALA

A. STATE 181868

B. GUATEMALA 4695 (BEING REPEATED TO GENEVA)

EMBASSY CONTRIBUTION TO COUNTRY PROFILE VOLUME FOLS,
KEYED TO ITEMS SPECIFIED IN REF A.

ITEM 2: ECONOMIC AND POLITICAL BASIS FOR MTN APPROACH

A. GUATEMALA IS MOST POPULOUS, BEST ENDOWED, MOST
DEVELOPED AND WELL-OFF OF CENTRAL AMERICAN
COMMON MARKET GROUPS OF LDC'S, ALSO FOR TIME-BEING AMONG
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MOST POLITICALLY STABLE. THOUGH RUNNING AN ADVERSE BALANCE

OF TRADE, ACCETUATED BY WORLD INFLATION, GUATEMALA DID NOT LAST YEAR SUFFER GREAT DECLINE IN INTERNATIONAL RESERVES- OWING TO STRONG INFLOWS FROM FOREIGN INVESTMENT AND TOURISM. EXPORTS, THIS YEAR AS LAST, DOING WELL- COFFEE AND SUGAR PARTICULARLY. COUNTRY IN LONGER TERM LOOKS FORWARD TO ADDING TO HITHERTO LARGELY AGRICULTURAL EXPORTS, NICKEL IN 1977 AND PERHAPS CRUDE OIL LATER. WITH OIL ZGPLORATION OPENING UP, FOREIGN INVESTMENT INFLOWS SHOULD INCREASE; PROGNOSIS FOR TOURISM ALSO FAVORABLE.

B. GOG FOLLOWS CONSERVATIVE MONETARY AND FISCAL POLICIES. PREDOMINATELY ORIENTED TOWARD PRIVATE SECTOR, GOVT HAS NOT YET LAUNCHED MASSIVE DEVELOPMENT PROGRAM. ENJOYS GOOD CREDIT STANDING INTERNATIONALLY AND HAS BEEN ABLE TO BORROW ABROAD TO SUPPORT DEVELOPMENT ACTIVITIES. THOUGH INCOME FROM TRADE CRITICAL TO WELL-BEING AND FORWARD PROGRESS OF COUNTRY, GUATEMALA NOT AS DEPENDENT THEREON AS OTHER LDC'S.

C. FOREGOING PERCEPTION CONTRIBUTES MUCH TO GUATEMALAN APPROACH TO MTN. IT LOOKS UPON PROGRESSIVE LIBERALIZATION OF WORLD TRADE AS IMPORTANT BUT NOT AS VITALLY SO AS OTHER LDC'S INVOLVED IN COMPREHENSIVE SOCIO-ECONOMIC DEVELOPMENT IN COUNTRY. FOLLOWING FLOW FROM THIS APPROACH:

1. GUATEMALA STILL IN PROCESS OF FORMULATING PRECISE POLICY IT WILL ADOPT TOWARDS MTN. ONLY IN LAST SEVERAL WEEKS HAS A HIGH-LEVEL INTER-MINISTERIAL ADVISORY GROUP BEEN CREATED TO DETERMINE GUIDELINES FOR GUATEMALA TO FOLLOW IN TALKS. REPORTEDLY IT HAS NOT YET MET.

2. GUATEMALA HAS DECLARED IT INTENDS TO COORDINATE POSITION AT MTN WITH CACM PARTNERS, UNDER AUSPICES OF PERMANENT SECRETARIAT OF GENERAL TREATY FOR ECONOMIC INTEGRATION OF CENTRAL AMERICA (SIECA)-REF B. GUATEMALA HOWEVER ALSO UNDERSTOOD TO BE READY TO TAKE INDEPENDENT POSITIONS AT MTN SHOULD IT APPEAR ADVANTAGEOUS TO DO SO. COORDINATION OF POSITIONS WITHIN CACM REPORTEDLY WILL BE DONE WITH SIECA REPRESENTATIVE, GENEVA, AS WELL AS SIECA HQS, GUATEMALA CITY; COMMUNICATIONS, HOWEVER, WILL BE KEPT ON SEPARATE LINES LIMITED OFFICIAL USE

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FROM FOREIGN MINISTRIES TO DELEGATIONS.

3.GOG INTERESTED IN GENERALIZED SYSTEMS OF PREFERENCES IN US TRADE ACT AND AS REPORTED REF B, WILL JOIN CACM COUNTRIES IN SEEKING TO MAKE GSP A PERMANENT, UNIVERSAL SYSTEM. HOWEVER, GOG SO FAR HAS DONE LITTLE DEEP ANALYSIS OF US GSP AND IMPLICATIONS FOR GUATEMAL. ONLY TWO RELATIVELY MINOR ITEMS IN LIST OF MAJOR CUR-

RENT EXPORTS TO US-INEDIBLE MOLASSES AND MACHINES
NOT SPECIFICALLY PROVIDED FOR-WILL BENEFIT FROM
GSP; OTHER ITSM ALREADY ENTER FREE OR ARE EXCLUDED
FROM PROVISIONAL LIST. CHALLENGE TO GUATEMALA LIES
IN DIVERSIFICATION OF EXPORTS TO FAVORED CATEGORIES
UNDER GSP. THOUGH POTENTIAL EXISTS FOR IMPORTANT NEW
EXPORT
INDUSTRIES-VIZ. OFF-SEASON FRUIT AND VEGETABLES-
LITTLE CONCERTED EFFORT MADE SO FAR TO IDENTIFY AND
DEVELOP SUCH INDUSTRIES.

D. AGAINST ABOVE BACKGROUND,WE EXPECT GOG APPROACH TO
MTN WILL BE TO PARTICIPATE IN BUT NOT LEAD CACM NEGOTIATIONS AND
GENERALLY TO COOPERATE IN EFFORTS TO ACHIEVE OBJECTIVES
THAT WILL BENEFIT CACM REGION AS WHOLE.LIKE OTHER CACM
COUNTRIES, GUATEMALA'S EXPORTS LARGELY AGRICULTURAL (AROUND
70 PERCENT OF TOTAL). CACM COUNTRIES NOW UNDERSTOOD TO BE DRAWING
UP LIST OF 30 TROPICAL AGRICULTURAL PRODUCTS THEY INTEND TO
SEEK BETTER TREATMENT FOR DURING TALKS. OBJECTIVE WILL BE
TO IMPROVE ACCESS OF SUCH PRODUCTS INTO KEY MARKETS IN
US, EUROPE, AND JAPAN (WITHOUT OFFERING MUCH IF ANY RECIPRO-
CITY FOR TRADE ADVANTAGES GAINED). OF SPECIAL IMPORTANCE IS
ACCESS TO THE FOREMOST MARKET, THE US (33 PC OF EXPORTS);
GUATEMALA MAY BRING UP QUESTION OF MEAT QUOTAS, TRADE IN
SUGAR AND PRODUCTS NOT LISTED UNDER GSP.

ITEM 3: COUNTRY POLICIES AND MECHANISMS TO ACHIEVE TRADE
OBJECTIVES.

A. AS MEMBER OF CACM, GUATEMALA HAS COMMON EXTERNAL TARIFF
DEISIGNED TO BOOST ESTABLISHMENT OF NEW INDUSTRIES AND ONCE
ESTABLISHED, TO PROTECT THEM FROM OUTSIDE COMPETITION. COMMON
EXTERNAL TARIFFS ALSO SERVE TO STIMULATE INTRA-MARKET TRADE.
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TAX HOLIDAYS AND WAIVERS OF IMPORT DUTY FOR EQUIPMENT AND
SUPPLIES ALSO ARE OFFERED AS INCENTIVES TO CREATION OF NEW
INDUSTRIES.

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B. PRIME

OFF-SHOOT OF WAIVER OF DUTY PROVISION IS GUATEMALAN
REQUIREMENT THAT SUCH EXEMPTED PRODUCTS BE SHIPPED HERE IN
GUATEMALAN BOTTOMFSOR FOREIGN LINES ASSOCIATED WITH GUATE-
MALAN GOVT-OWNED SHIPPING CO. (THIS DISCRIMINATORY
TREATMENT NOW HAS BEEN BROUGHT BEFORE BOTH FEDERAL
MARITIME COMMISSION AND SPECIAL TRADE REP. BY AN
AFFECTED US LINE; HEARINGS TO BE HELD SHORTLY AND
DETERMINATION

MADE WHETHER COUNTER-VAILING DISCRIMINATION SHOULD BE
PLACED BY US ON GUATEMALAN LINES AND WHETHER IMPORT PREFER-
ENCES UNDER TRADE ACT SHOULD BE SUSPENDED).

C. FOREGOING CAN BE CONSIDERED ONLY SIGNIFICANT NON-TARIFF
BARRIER, GUATEMALAN TARIFF BARRIERS SET BY CACM AND ARE
FAIRLY HIGH; HOWEVER, SHOULD
BE REMEMBERED THAT ABOUT 60 PC
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OF IMPORTS ENTER UNDER DUTY EXEMPTIONS. GUATEMALA DOES HAVE
HIGH LUXURY TAX ON CARS COSTING MORE THAT \$2,500, WHICH SERVES
TO LIMIT IMPORTS MOST US MODELS.

D. MONETARY AND EXCHANGE RATE POLICY NOT USED IN GUATEMALA

AS SUBSTITUTE FOR SPECIFIC TRADE POLICY MEASURES. GUATEMALAN
QUETZAL HAS BEEN CONSISTENTLY MAINTAINED AT UNITARY RATE
AND AT PARITY WITH US DOL.

E. GUATEMALA'S MAJOR OBJECTIVE IN MTN, THAT OF IMPORT ACCESS
FOR AGRIC. PRODUCTS IN DEVELOPED-COUNTRY MARKETS, AND
GENERAL TRADE REGIME WOULD NOT APPEAR TO IMPINGE ON US
INTERESTS EXCEPT IN FEW CASES-WHERE GUATEMALAN PRODUCTS
COMPETE DIRECTLY WITH US SUPPLIERS, AS IN MEAT AND WHERE
US SHIPPING LINES DENIED EQUAL ACCESS TO IMPORT CARGOES.

ANNEX A: KEY AGENCIES IN TRADE POLICY

MINISTRY OF ECONOMY SPECIFICALLY ITS OFFICE OF DOMESTIC
AND FOREIGN TRADE IS KEY ELEMENT WITHIN GOG FOR TRADE POLICY
FORMULATION AND DIRECTION OF NEGOTIATIONS AT MTN. MINISTRY
OF FOREIGN AFFS. POSSIBLY WILL PLAY SUPERVISORY ROLE. MORE
WILL BE PROVIDED BY MIN. OF FINANCE. NATIONAL
PLANNING COUNCIL AND CENTRAL BANCO DE GUATEMALA ARE ALSO ON
INTER-MINISTERIAL ADVISORY GROUP WORKING ON MTN POLICY.

ANNEX B. KEY PERSONNEL

IN ADDITION TO HEADS OF ORGANIZATIONS MENTIONED IN ANNEX A,
FOLLOWING PERSONNEL EXPECTED TO BE IMPORTANT IN GUATEMALAN
OPARTICIPATION IN MTN NEGOTIATIONS:

- MARIO L. MEJIA, DIRECTOR OF OFFICE OF DOMESTIC AND
FOREIGN TRADE, MINISTRY OF ECONOMY, GUATEMALA

- DR ENRIQUE LOPEZ HERRARTE, HEAD OF GUATEMALAN MISSION
TO MTN AND PRMANENT HIGH REPRESENTATIVE TO
UN AND SPECIALIZED OFFICES IN GENEVA

-ENRIQUE BETANCOURT F., ADVISOR TO MISSION IN GENEVA,
ON SPECIAL DETAIL FROM BANK OF GUATEMALA.
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WITH RESPECT TO SIECA COORDINATION OF GUATEMALAN AND OTHER
CACM POSITION, FOLLOWING ARE IMPORTANT:

-ADOLFO TREJOS, UNDER AE T. SECRETARY, SIECA
GUATEMALA CITY

- JOSE MONTEAGUDO, DIRECTOR OF COMMERCIAL POLICY,
SIECA, GUATEMALA CITY

-DR AROLDO RODAS, PERM. REP. OF SIECA, GENEVA.
ANDREWS

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